

# The FUTURE of American Business

By BRUCE BARTON

**Y**OU have seen on the stage the office of a big Wall Street financier. The scene rocks with the clatter of tickers, the ringing of telephones, the crush and cries of brokers and telephone boys. Well, Bernard Baruch has been as active as any dramatist could wish and still undertakes major financial and industrial operations, but his office resembles this stage version in just about the same way that a pastor's study resembles a railroad station.

A sunny private room. No ticker. A telephone, but it seldom rings. Thick rugs on the floor; a few fine paintings on the walls. A mahogany desk unencumbered by papers. Behind the desk a tall man, distinguished by supple grace and good looks, with pleasant eyes and a mouth that breaks easily into a smile; silver-gray hair and a strong nose—the sort of nose that Napoleon used to look for in his generals. The man, who is fifty-eight, looks as if he has the blood pressure of a boy of twenty-five, and he seems to have nothing whatever to do. This is Baruch.

We went out to luncheon one day. The first part of our conversation related to the war. It is a painful confession, but true, that I am always behind with my wars. The Civil War still absorbed me when the World War came along, and only now, after ten years of peace, when the real inside stories are beginning to come out, have I begun to transfer my interest to this latest and biggest conflict. Baruch knows as many of these inside stories as any man in America. As chairman of the War Industries Board, he sat at Woodrow Wilson's right hand and marshaled the industries of the nation. The presidents of companies who had been violent competitors met around his table. Sometimes they entered cheerfully into his plan for pooling their output; sometimes they protested. Eventually, guided by Baruch's patience and tact and good humor, they learned a lesson in coöperation which has repaid them many times over for any sacrifice the war demanded. That coöperation within the ranks of industries is one of the present factors in our prosperity.

I asked Baruch to mention some of the other factors, and he began by remarking that when men try to judge the present, or to forecast the future, by using the yardsticks of the past, they show no comprehension of the tremendous changes

which were beginning even before the war broke out and which were accelerated by it.

"Let us look back for a minute before we try to look forward," he said. "The first important change was the Federal Reserve Act, which gave us coördinated control of our financial resources and made credit the servant of business instead of its master. The second was the Adamson Act, which made the eight-hour day permanent in the railroads. It was resisted by many leaders who believed that it meant higher prices for everything and consequent hardship to the consuming public, but its influence has been altogether different. The shorter day and the increased wage, which were enacted as a matter of social justice, have come now to be recognized by almost everybody as essential elements in prosperous business. In the old days it was assumed that you must keep wages low and hours long in order to operate effectively. We know now that low wages mean low purchasing power, and that only in proportion as men and women have money to spend and hours in which to enjoy the fruits of their expenditure, can our productive capacity be kept fully employed.

"LET us trace the business influence of the war a little farther," he continued. "The Liberty Loan campaigns taught the people to save and invest, first in Liberty Bonds, then in municipal and railroad bonds, and then in securities of the corporations which represent the work and genius of the American people. Instead of fighting the big corporations, the people now own them and enjoy the fruits of their growth. The War Industries Board established a new coöperative relationship between government and business which Mr. Hoover, as Secretary of Commerce, continued in peace times with results that are beyond measure. During the war we established committees of the various industries, and when prices were fixed, rules were also fixed for distribution, and these rules influenced the scale of wages and working conditions. This helped to lift the standard of all wages, which the manufacturer later found was a fine thing, though he fought it strenuously at first.

"Another thing the American business man found during the war—that he could do things he never thought he could do,

and make things that he used to think only the Englishman or the German or the Frenchman could make for him. He made dyes, for example. He made all sorts of articles that had previously been made abroad, and found substitutes for many others. These activities continued after the peace, because we had the money to continue them, and the equipment, as well as labor of unusual intelligence.

"QUANTITY production had its real birth in the war, not only because things had to be made quickly, but also because of the necessity for eliminating all useless styles and the duplication of effort. We learned to standardize and to make a few styles do the work of many. Secretary Hoover, in his department, continued this important work, and every manufacturer now knows how much more profitable it is to keep the machines running constantly on a few kinds and styles, eliminating the waste of big inventories and of constantly stopping and starting the plant.

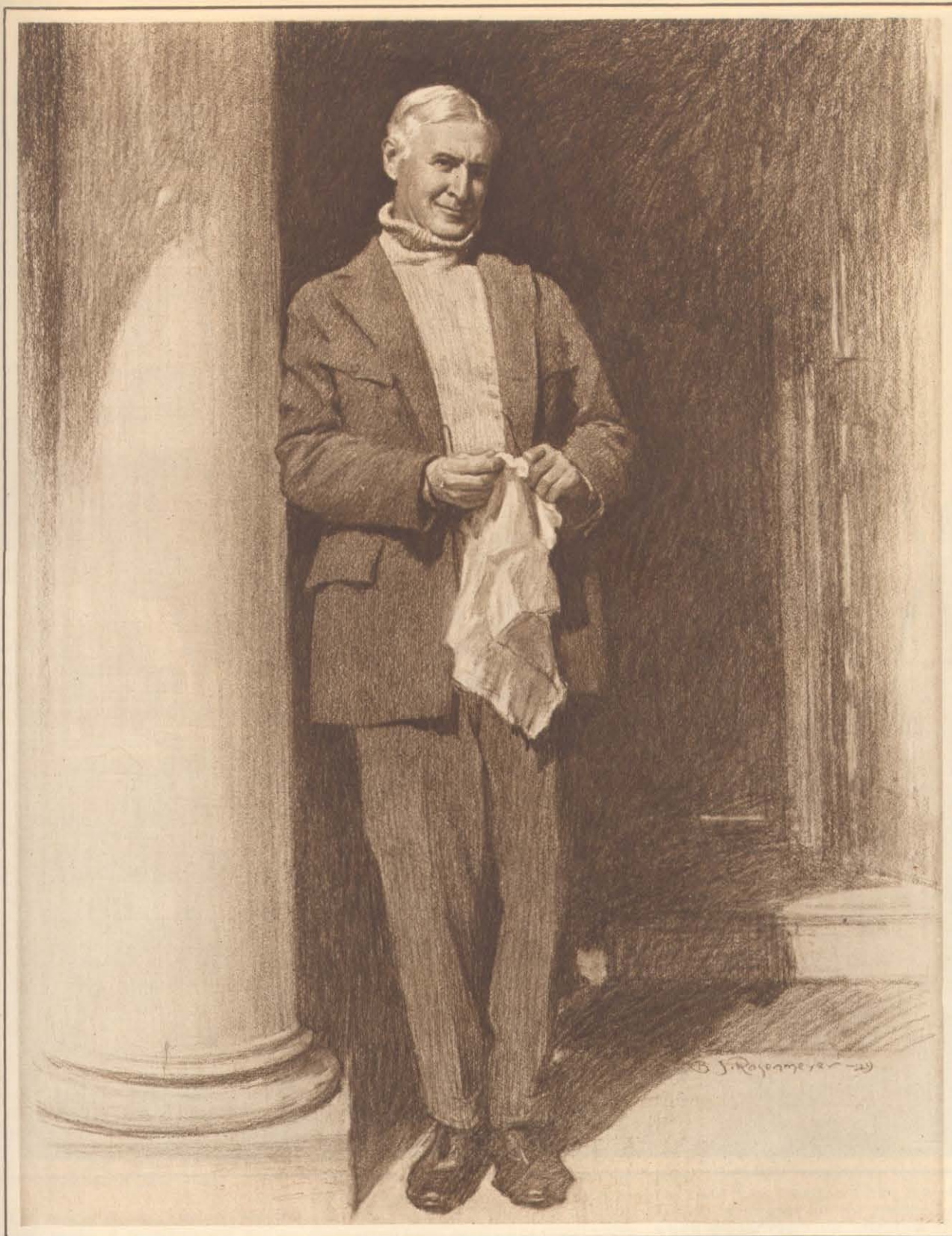
"The war compelled us to keep a lot of data and statistics. The Secretary of Commerce wisely continued to do this, and so exposed the public every day to a far wider fund of statistical knowledge than business men had ever had before. Hoover understood statistics and he endeavored to place them before the people so that they too would understand.

"So we came out of the war, having vastly expanded our productive capacity and self-confidence. We came out a creditor nation, which might possibly have happened in twenty-five years of peace, but was actually accomplished in three or four years of war. As such a creditor nation we were in a position to lend money all over the world and get foreign trade in return. We came out with a unified banking system, the best security against those alternating periods of inflation and stringency which had made our business history a series of feasts and famines. Finally, we came out with business men who knew a great deal more than they ever did before about how to get the facts and interpret them, and who were believers in a popular high standard of living and of wages."

"You mentioned that before," I suggested.

"I know that, but it looms larger in my mind than (Continued on page 133)





Drawn by B. J. Rosenmeyer

### Bernard M. Baruch

**BERNARD M. BARUCH** is one of America's great financiers, who is particularly distinguished for the public services he has rendered and for the clarity of his thinking on economic questions. He is a son of Dr. Simon Baruch, who was a surgeon in the Confederate States Army and later a leader in the medical profession in New York. Mr. Baruch was chairman of the powerful War

Industries Board under President Wilson, and was economic adviser for the American Peace Commission. In his early financial career he was a spectacular figure in Wall Street, where he was known as a plunger. But his plunging was done only after long and accurate study. He was a forerunner of the present big market operators who look long and carefully before they leap.



## The Future of American Business

(Continued from page 26)

anything else. For the first time, every banker and manufacturer realized that the more money people have, the more things they can buy; that the desire for more things and better things is the mainspring of production. Through higher wages, we gave people the opportunity to indulge their desire for better things and more of them, and then, by development of more flexible credits through installment buying, we enlarged that opportunity. The basis of our prosperity is our own domestic market, which we have vastly enlarged by this simple process of increasing the power to consume. And don't think for a minute that this new spirit of wanting more things and being willing to work for them is confined to the United States. Individuals all over the world are potential consumers to the physical capacity of individuals here. All they lack is equal financial capacity, and that is not beyond their possibilities."

I pressed Baruch on this point.

"MONTHS ago," he said, "I drew up a plan on the lines of which I believed the reparations problem and the debt problem would ultimately be settled. The plan proposed a meeting of representatives of the Germans, the allied nations, and the United States, at which the whole question would be faced afresh. Ten years have passed since the Peace Conference and four years since the Dawes Plan went into effect. We are in a much better position now to know what Germany can really afford to pay and what is both possible and profitable, from the long point of view, in the matter of debt settlements."

"The settlement of the debt and reparations problems would bring such a revival of industry in the whole world, and the demand for things would be so great, that it would result in what, for want of a better term, we might call 'an industrial renaissance.' These two questions have been like dragging anchors to the great ship of international commerce, which has been slowly gaining headway and is only approaching moderate speed in this country. If the reparations question is settled by fixing Germany's indebtedness definitely at a sum that she can pay and is willing to pay, so the Allies can get money sufficient to meet their requirements and their debt to America, and if America will take some of this cash as a settlement, the whole international financial question would change immensely for the better. The higher standards of living which we enjoy here, the construction of railroad terminals, airports, magnificent roads, bridges, and tunnels, which have contributed so much to our progress, would be duplicated in other countries as fast as they are able to get the means. The automobile, and the airplane, the moving picture, television, and the radio would carry to the farthest corners of the earth accurate pictures of the standards of living of the better countries, creating desires to emulate them the world over—the irresistible urge to do, to achieve, and to have."

"Incidentally, the fair and proper set-

tlement of this question will do more for agriculture than anything that could be done politically."

At this point it is only fair to Mr. Baruch to point out that he outlined his plan for settlement of the reparations question three years ago. I had talked to him about it early in the spring of 1928. Early in 1929, when this is being written, the United States has already agreed to the selection of Owen D. Young and J. P. Morgan as unofficial representatives to attend an international commission on the reparations problem. The best financial minds of Europe and of the United States have high hopes of some such solution as Mr. Baruch suggested.

His plan, or suggestion, was that the sum that Germany would pay should be definitely fixed in amount and should be a sum that Germany can pay and would try to pay. Under the Dawes Plan the railroads were obligated and certain first charges were made against the industries of Germany. Mr. Baruch proposed that of the amount fixed for Germany to pay, part should be represented by an issue of bonds to be secured by German railroads and industrials and to be a first charge against these properties. About two billion dollars of these bonds should be marketed, and the balance of the bonds, six or eight billions, held in escrow by the Allies, to be sold as and when the international markets would absorb them.

If the two billions or any proportion of them were sold, France, under the so-called "Spa agreement," would get 52% and the other countries their proportionate share, as determined by the same agreement. If France were thus to get 52% of the two billion, she would have one billion dollars in cash for any purpose for which she determined to use it. Mr. Baruch's main idea was that with such an amount, France could negotiate a cash settlement for her debt to America, and when further bonds were sold, she and England could make further cash settlements with us and still have a credit to their accounts in the balance of the bonds.

The bonds would be a first charge on all Germany, as they would be secured by her railroads and industrials, as outlined above, and be issued in all the gold currencies of the world—dollars, francs, pounds, lire, and marks. The citizens of the world would buy them because they would be the best bonds ever issued internationally.

MR. BARUCH'S suggestion was drawn up with the idea that if it were carried out, trade and commerce would so increase in the world that tax burdens could be lessened everywhere. If the United States were paid in cash, she could retire Liberty Bonds, reducing the yearly interest on her obligations, and give an opportunity for the reduction of taxes or the use of that money for some other purpose. When I asked him to discuss this plan in detail, he declined to do so because he said the matter was now definitely in the hands of the Reparations Commission. But he added, "I am not in

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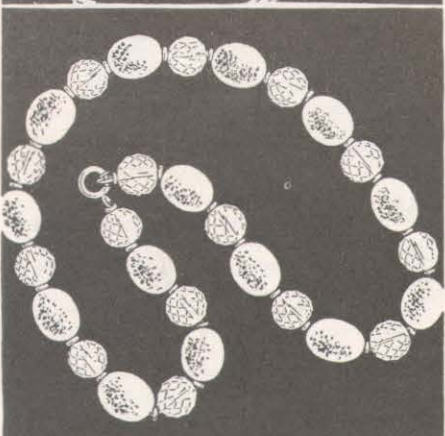
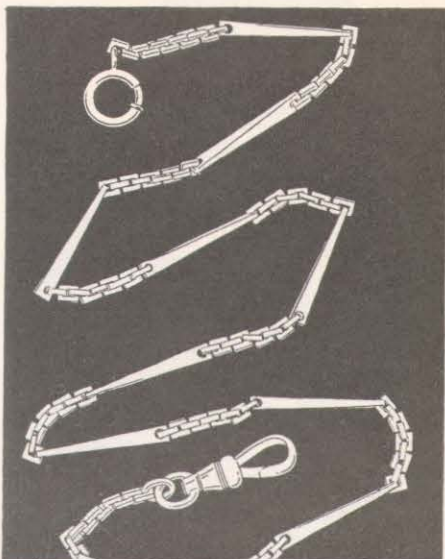
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the least averse to forecasting the results of such a settlement. I believe that trade and commerce all over the world would be immensely benefited and interest rates would lessen, because the demand for gold by the great central banks, which no longer would be dominated by fear, would lessen materially.

"Something of that sort," he added, "I am confident is going to be worked out. And when it has been worked out I believe we shall enter upon a new period of world-wide production and distribution which future historians may call the 'industrial renaissance.'"

I asked him what he meant by the term "industrial renaissance." "That's a new phrase to me," I said.

"Maybe it isn't properly descriptive, but I'll tell you what it means to me.

"I have already said that the desire for more and better things—for a higher standard of living—is the real beginning of increased business. Until people are conscious of the want for an article there can be no real market for that article. People saw the automobile and wanted it immediately. About the same time, increased wages and credit facilities made it possible for them to have it. That began the fabulous development of the automobile industry. People see airplanes, and when enough of them really want airplanes—are 'air conscious' as they say—then the airplane industry will be a prodigious industry.

"Now, this process of wanting is already spreading all over the world. The spirit of tearing down the old and building something new and better which you see on every hand in this country has spilled over into every other country. Everywhere in our own land are new roads, new bridges, new subways, new terminals. Everywhere the burden of toil is being lifted off the shoulders of men by machinery and lightened in the home by electricity. The movie and the radio and the airplane are carrying the picture of our new standard of living into every corner of the globe, and wherever the picture is carried there is created desire.

"BEFORE the war there were hundreds of millions of people who had too little hope and too much fear to desire anything. They were born to live and die within the same narrow limits as their fathers before them. If the father had been a peasant, the son must be a peasant; if the father had been a porter, the son could expect nothing better. Everything was fixed, curbed, static. Then came the war, tumbling over thrones, destroying feudal privileges, and wiping out feudal fortunes. The process went too far, of course, as in Russia, where the people experienced a rush of liberty to the head and attempted to beat economic laws that are as fixed and unbeatable as the law of gravitation. But the great effect of the war, aside from its suffering and destruction of wealth, was in jarring dead brain cells into life, throwing people out of ruts, striking down barriers and chains, and giving hundreds of millions of people the right to look forward, to hope and to have.

"When all that wanting and hoping begins to find expression through increased productivity, millions of families will begin to apply, in some degree, the American formula of 'work and have more.'

There will follow, in my judgment, such an expansion of production, such a work of rebuilding, such an interchange of goods through foreign trade as we have never experienced before. For the first time in history, we have sound reason to hope for a long period of peace. For the first time, the business men of all nations are supplied with statistical information, together with some understanding of the laws of economics. For the first time, we have sound centralized banking systems in all the countries and close cooperation between these systems internationally. Because all these factors are favorable, and because of the universal stirring of desire and ambition to which I have already referred, I believe in the 'industrial renaissance.' We are already seeing something of it in the United States."

"DOES this mean that everybody will be prosperous: that there will be no more 'bad times'?" I asked.

"Not at all. There will always be inequalities in human intelligence and industry. You can go into any state today and find some farmers making money and other farmers, only a few miles away, having a hard struggle. You can find the same situation in retail stores on any Main Street. You can look into any big business and see two men who started as boys together and are now far apart. We shall never have any social set-up that can insure equal prosperity for everybody. But we are beginning to conquer some of the obstacles which have unfairly handicapped humanity in general in the past.

"Think for a moment what a cheering spectacle the past century presents. In that period we have practically removed the scourge of famine from the world. Only a century ago it was considered inevitable that some portion of the race should be afflicted with famine almost every year. Food rotted on the ground in one country while people were starving only a few hundred miles away. China and India, where population is dense and modern methods have made little progress, still suffer periodically from famines, but the rest of the world has abolished this specter. Agricultural machinery has made it possible to farm many acres instead of a few; transportation, cold storage, and other scientific devices enable one section of the world to exchange its produce with other sections that are thousands of miles away. We are within sight of the day when everybody in the world will have enough food all the time.

"Similarly, we are making great progress in the conquest of disease. Smallpox, typhoid, diphtheria, yellow fever, and diabetes have been, if not conquered, at least greatly diminished through the magnificent work and sacrifice of scientists.

"Today, with the motor, the radio, and improved sea, land, and air travel, and with television almost upon us, who shall be alone, what place isolated, who be separated from the comforts and solace of his fellow man?

"Our generation has seen the first halting steps toward the abolition of war, and more good influences are at work in this direction than ever before.

"One foe we have made little progress against until very recently—namely, the panics and depressions in business which from time to time have shut down indus-



tries and brought fear and distress to millions of homes.

"The point to be emphasized is that we now have certain safeguards which never existed before: the Federal Reserve Bank; the better understanding and use of statistics by the nations, by banks and industries, and by individuals; the coordination of the financial systems of all the leading nations; and the great increase of human wants and ambitions throughout the world which, with occasional and temporary setbacks, ought to provide a huge volume of business for many years to come."

"ASSUMING that all this is true," I asked, "how should the average man proceed in forecasting his own life for the next few years? What plans can he make for his individual investments?"

"Nobody can advise the 'average' man on investments and it is furthest from my thought to discuss the temperamental spirit of the stock markets. There are certain principles, but the application of these principles rests with the individual in the infinite variety of his circumstance. The average man keeps his eyes not more than half open. He does not train himself to see what is going on around him. He hopes that some day somebody will happen along and give him an inside tip, or some advance information that will make his fortune over night. As a matter of fact, the best tips of all are written so large and plain that anybody with imagination can read and profit by them."

"You asked me as we sat down how I happened to be interested in radio. Who could fail to be interested in it? Who, with any imagination at all, could experience the miracle of a concert in his own home and not realize that this is a new force which is bound to give rise to great industries?"

A friend of mine was talking with an Englishman who had recently come from Canada. As they rode along in an automobile, the Englishman pointed to an A. & P. store. "What's that?" he asked.

"Why, it's a chain grocery store," my friend responded. "What kind of chain stores do you have in Canada?"

"We do not have any," the Englishman replied. "That is the first one I ever saw."

"My friend thought it incredible, but that night he wrote letters to three men in Canada, asking them about chain stores, and from each he received the same reply. A few months later he opened the first store in a chain which has now spread all over the Dominion. He has made a large fortune, but he might conceivably have made almost as much if he had merely stayed at home and invested in the chain store systems of this country. Any man who watched the early success of these great systems must have seen that this was the beginning of a new era of distribution, and that every soundly managed enterprise in this field would be profitable."

"When Alexander Graham Bell at one end of a wire called into his crude instrument, 'Watson, come here, I want you,' and Watson came, it was the beginning of fortunes for all who had the vision to look ahead. When Lindbergh flew the Atlantic, it opened a new day of interest and progress for the aviation companies. When the first crude motion pictures

flickered across the screen, it signaled opportunity to another group of people. The great chances do not come secretly.

"Quite as important as inventions or industries are men to manage and be responsible for them. It is better to back a strong, able man than take a chance on the most alluring prospect where the management is untried."

"One of my associates in the War Industries Board was a big-boned, two-fisted man from Chicago named Alex Legge. Somebody rightly called him 'the Abraham Lincoln of industry.' He was at that time general manager of the International Harvester Company. The way he handled things gave his associates great respect for his ability, and when the war was over, many of them said to themselves, 'Let's just follow Alex.' So they bought International Harvester stock, to their great gain. So anyone could have done in a score of similar instances."

"The records of business leaders are no secret. Every man, even in the smallest town, is in a position to know something of the life stories and achievements of the men who are directing the important industries. If he does not know, his local banker does. Charles M. Schwab once remarked that he made it a rule to do business only with lucky men, by which he meant with men who had demonstrated their capacity in a series of situations. It is a good rule. If you follow, in your investments, the men who have succeeded, you are likely also to succeed, assuming always, of course, that the industries with which they are engaged satisfy fundamental human needs."

"I DO not mean to say that a man can make his investment in any enterprise, however good and ably managed, and then go to sleep. Business is never static; it is forever moving, forever subject to the fluctuating influences of scientific discovery and consumer demand. These changes, which seem sometimes to come very suddenly, are not usually so sudden. They cast their shadows before them, and he who keeps his eyes open may see and be warned in time."

"If you pick the ten leading industries in the United States, excluding for the moment the railroads, which operate only at home, you will find that every one of them is set up to do business all over the world and that their foreign business has extended rapidly in the past few years. You will find that every one of them maintains scientific research on a broad scale, which is insurance that it will not be left behind by scientific progress, and will have the benefit of whatever new processes and products such research may develop. You will find that every one of them is headed by men of demonstrated success, who have surrounded themselves with capable assistants, trained to carry on."

"There is no mystery in these criteria of probable industrial progress. Economic and industrial news is available to everybody everywhere. The conclusions to be derived from it are simply applications of common sense. In broad and general terms progress is on the march. The economic condition of the world seems on the verge of a great forward movement. As to particular companies, and even as to particular industries, some are in phases

## Are Your Opportunities Slipping By?

THE years roll by faster and faster seemingly. More and more frequently come those moments when we regret the opportunities we allowed to slip by. When we realize that we have made little or no progress; that we have acquired no new mental equipment, and no increased capacity for business or social life.

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of ascendancy, some few are retrograding. The wise investor will seek the former and avoid the latter. Having satisfied himself that he is in a fruitful field, he will seek to learn something about the companies he favors—the field of their particular endeavor, the men who are responsible for them, the policy of their operations. In the long run he cannot go far wrong if he relies on progress—not already too far anticipated—if he relies on what I have called 'the industrial renaissance.' As an old friend used to say to me as a youngster, 'How many bears do you know with residences on Fifth Avenue?' I can recall none.

"Of course, there is no royal road. Bob Fitzsimmons used to say that to be a champion a man must learn to take as well as give. This has always been in my thoughts when I have seen men under the punishment of life, and I may add that I know no champions anywhere who have not had their experience in taking it.

"There will, of course, be temporary setbacks due to causes perhaps more or less avoidable. Finance will be a limiting factor until that subject is better understood and worked out, but I am not speaking in terms of weeks or months when I say I think the great economic surge is forward.

"Also, in a large politico-economic unit such as the United States, the powers of government are so vast that if they be unwisely applied, they can hamper or even destroy a natural period of prosperity.

"Mr. Hoover clearly pointed out in his campaign speeches that we have pushed efficiency in machine production to a point where, in order to keep our people gainfully employed, we must continue to produce in ever increasing amount an industrial surplus beyond the capacity of our domestic market to absorb. In other words, our industrial prosperity depends on a rapidly expanding export trade. Industry is fast approaching the dependence on export markets that has given agriculture such distress. I cannot avoid some apprehension over the recent demands in Washington for tariffs amounting to embargoes on the importation of everything. Tariff protection is a complicated and highly technical subject. This much is clear. A prohibitive tariff would inevitably force our best customers into defensive tariff agreements. For example, I cannot conceive of the Argentine and Canada taking no steps to retaliate on any attempt to exclude their exports to us. They would raise walls against us, and the hands of our progress in those fields could be set back years in a week. Similarly for all American republics and France, England, and Germany. They would create mutual relations among themselves to the restriction of our export market, and we we could not fail to suffer loss.

"Such a result I do not fear because I know Mr. Hoover to be too sound in his economics and too keenly aware of our necessity in this regard to permit such a thing despite the clamoring with which he

is already assailed. He will use the protective principles to preserve the markets which are rightly ours and, I trust, to relieve agriculture in that very limited field where protection will be of benefit.

"Yes," I said, "you have just said that the ability to take punishment is one of the essentials."

"The really essential attributes may sound trite," Mr. Baruch replied, "but, to my way of thinking, they are courage, integrity, and application. When a man has made up his mind to believe in the country and its industries, and to go forward with them, he must be willing to take the temporary setbacks along with the progress. He must keep his faith firm, and not let any little thing unsettle his decision. As for integrity, what can any man add to what has already been said?"

Baruch was thoughtfully regarding a picture of his father, Dr. Simon Baruch, the distinguished surgeon and scientist, whose services and research have left a permanent impress on medical knowledge and practice. The photograph was inscribed to his son, with the words, "Let unswerving integrity always be your guide."

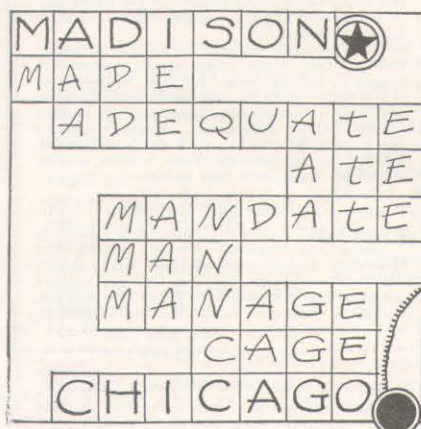
I looked at the picture and put it back on the desk.

It has been said that there is no sentiment in business. Some day I shall write a piece about fathers and mothers—the fathers and mothers of these well-known men in Wall Street. But, as Mr. Kipling would say, that will be another story.

## Travel Trails Announcement and May Solutions

### How to Follow a Travel Trail:

**E**ACH word must have exactly the same number of letters as the spaces allotted, and each word must have three consecutive letters that travel straight down (or up) through the same three letters in the word below (or above); and the word before the destination must also have three consecutive letters that travel into the same three letters of the destination; as illustrated by this sample trail solved for you:



The clue sentence for each trail contains a few of the words which can be used as legs of the journey. Take as many words from the clue sentence as possible. Other-

wise, use any word from a standard dictionary. Proper names are not allowed in solving a trail, unless included in its clue sentence. Solutions of the trails on pages 34 and 35 will be published in next month's issue of THE AMERICAN MAGAZINE.

**PRIZES:** THE AMERICAN MAGAZINE offers a prize of ten dollars for every Travel Trail accepted for publication. Send the solution with your trail. Art work not essential. A Travel Trail, to be eligible for the contest, must not be longer than twenty words, including the starting point and destination. Also, it must have the home-town of the contestant as its starting point or destination.

Other suggestions are: Keep all cities and towns of your Travel Trail in the relative positions they occupy on a map. Clue sentence, if included, should carry interesting local facts and contain a few of the words required for traveling the trail.

Strive for an interesting, trail-like design. Limit the letters overlapping between any two words to a number as little in excess of three as possible. This helps to make your trail admit of only one solution. As far as you can, use well-known words. You can make your trail sufficiently difficult by traveling from one word to another through unusual three-letter combinations.

Contestants are not limited in number of trails submitted. Next month another group of winning home-town trails will be published. Send in yours to "Travel Trail" Editor, THE AMERICAN MAGAZINE,

250 Park Avenue, New York City. Manuscripts not accepted for publication will not be returned.

### SOLUTIONS TO MAY PUZZLES:

CONCORD	WASHINGTON
ORDER	BORING
POWDER	HARBOR
POWER	CHARLESTON
OWE	LESS
TOWER	DESSERT
WERE	SERVICE
REVERE	ICE
RIVER	NICE
VERSE	NICHE
HORSE	RICHMOND
ARSENAL	
WARS	
WARRANT	
LANTERN	
TERSE	
PERSON	
PERPLEX	
LEXINGTON	
EXIST	
HISTORY	
THIS	
THIMBLE	
BLEED	
STEED	
SHREVEPORT	
EVER	
VERBATIM	
BATONROUGE	
TONNAGE	
AGE	
CORDAGE	
ORDER	
WORD	
NEWORLEANS	
EIGHTEENTH	
SENT	
ENTERPRISE	
APRIL	
PRISON	
SONS	
TONS	
BOSTON	